

DOCUMENT RESUME

ED 160 002

HE 010 466

AUTHOR Pope, Kenneth H.
TITLE Public Funds and Private Colleges.
PUB DATE 23 Aug 78
NOTE 10p.

EDRS PRICE MF-\$0.83 HC-\$1.67 Plus Postage.
DESCRIPTORS *Educational Finance; Federal Aid; *Financial Problems; *Government School Relationship; Higher Education; Institutional Autonomy; *Nonpublic School Aid; *Private Colleges; *Private Financial Support; Speeches; State Aid; Student Financial Aid

ABSTRACT

Financial and survival problems facing private colleges, unless the state governments make major changes in the way public education is financed, are discussed in this speech. The gap between the cost of attending public and private institutions is growing, at least for families with incomes above the median. Many of the best academic colleges and universities have been private, and having both public and private institutions promotes diversity in our society. Many states have begun various forms of assistance to private institutions, the most important of which is financial assistance to students, mainly students of lower income families. Since the U.S. Constitution prohibits Congress from making laws "respecting an establishment of religion" and the fourteenth amendment extends this restriction to the states, governments have been unable to help private colleges directly, especially church-related ones. Some people contend that with the right combination of good internal management and appropriate public policies most private institutions can do well. Most advocates of the free market approach would have it coupled with a scholarship program paid directly to qualified students. Another possible solution to the plight of higher education is for the United States to adopt the Japanese system of rigid controls on the number of students entering public institutions. Many private colleges are concerned about a possible loss of independence as a result of accepting public money. (SW)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED160002

PUBLIC FUNDS AND PRIVATE COLLEGES

By
Kenneth H. Pope, Ph.D.
Hannibal-LaGrange College
Hannibal, MO

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Kenneth H. Pope

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC) AND USERS OF THE ERIC SYSTEM."

August 23, 1978

HE 010 466

PUBLIC FUNDS AND PRIVATE COLLEGES

Kenneth H. Pope, Ph.D.

Private higher education in the United States is the oldest form of higher education in the United States. Further, private liberal arts colleges have been among the more durable of our social institutions. During their history, which now spans more than three centuries, they have adapted to several major changes in the society and to transformations of intellectual outlook and style.¹⁶

Nevertheless, one of the big issues confronting many private colleges today is that of survival. Change magazine reported in September, 1976, that a comparison of public and private institutions indicated that the financial conditions of the private colleges had dramatically worsened in recent years. In fact, while 82.5% of the public institutions were judged to be in healthy condition, only 3.4% of the private institutions were judged healthy.⁵

A more recent study of the financial conditions of private higher education concluded that the proportion of these institutions in a precarious position increased in 1976-77. The percentage of private colleges and universities judged to be losing ground financially increased from 20 per cent in 1975-76 to 34 per cent in 1976-77.⁶

There are indications that even if private colleges and universities immediately begin to use their resources much more efficiently and achieve increased earnings from their endowments, the dual system of higher education in the United States will not endure unless the state governments

make major changes in the way public education is financed.¹³ As the state governments continue to invest more money each year in public education, the gap between the cost of attending public and private institutions, at least for those families with incomes above the median,¹ continues to grow. As the gap grows, more and more people are excluded from attending private colleges. There are also predictions of declining enrollment. The number of 18-year-olds, representing the traditional source of entering college freshmen, will decline from 4.3 million in 1979 to 3.2 million in 1992.¹ There are also indications that there are an excess of college graduates over the number of jobs for which college credentials are believed necessary.⁹ Even the most optimistic predictions are for a leveling of enrollments until 1995.⁹ These give one cause to believe that there is a real possibility that this type of higher education will disappear from our land.

Yet there seems to be justification for preserving this potentially extinct social institution. The first colleges in the United States, beginning with Harvard in 1636, were private and church related. Furthermore, history seems to tell us that the best of the colleges and universities, in academic terms, have been the private institutions and the freer of the state institutions.³

The need for diversity is another reason for maintaining the private sector. In 1971 the Carnegie Commission on Higher Education reported, "The presence of the private sector extends diversity, provides a valuable dimension for developing quality, aids in protecting autonomy for all higher education, and fosters the type of institution which gives individual treatment to individual students."¹⁵ Walter E. Hanson in commenting on

the American pattern of diversity stated that the special character of both private and public institutions should be maintained for the sake of diversity.⁴ There have been calls for a national policy regarding higher education that would include a clear and indisputable statement of the need for a diversified pluralistic system of colleges and universities.¹⁴

There have also been calls for the full utilization of all higher education resources, pointing out that all colleges and universities function in the public interest and that graduates of private institutions benefit society, just as do the graduates of public institutions.¹⁵

Concluding that it is desirable to maintain a dual system of higher education, many suggestions have been offered as solutions to the plight of private colleges and universities. Many of these solutions involve the use of public funds. Historically, public funds played an important part in the establishment and expansion of "private" institutions. In fact, most of the original nine colonial colleges were partly supported with public money. After the nineteenth century, however, the states receded in importance as a source of funds for private institutions. But this trend has been sharply reversed in recent years in many states, as the financial problems of private institutions have grown and as the states have become concerned both with the future of the private sector and the diversity of higher education. Thus many of the states have begun various forms of assistance to private institutions, the most important of which is financial assistance to students.⁹ However, this type of assistance goes mainly to students of lower income families. In fact, the private college seems to be "as cheap or cheaper than the

public college for students with family incomes up to something like \$19,000 per year. Beyond that income level the comparative cost of the private college rises rapidly."¹

However, since the Constitution of the United States prohibits Congress from making any laws "respecting an establishment of religion" and the fourteenth amendment extends this restriction to the states, governments have been hampered in their attempts to help private colleges directly, especially the church related ones. There have been efforts to interpret this restriction which has led to much litigation, but the guidelines resulting from these cases have not always been clear.¹⁵

There are those who feel federal programs should not be designed to preserve private higher education but should instead provide incentives for private colleges and universities to preserve themselves. It is contended that with the right combination of good internal management and appropriate public policies most private institutions can do well.¹⁰ A free market approach could put the necessary pressures on the managements and supporters of colleges and universities, both public and private, to provide the best "products" possible at the least cost. A student could aim at the school that best fits his needs and abilities without regard to cost. Such an approach would involve reducing the tuition gap between public and private institutions. This gap, "especially among able students, hits hardest those families with income somewhat above the median."¹ In fact, "there has been a distinct drop-off in percentage terms in the representation of the upper-middle-income class in private higher education over the last decade."¹

A reduction in the tuition gap could be accomplished by increasing the tuition in public colleges and universities to the point where tuition

would cover one-half to two-thirds of the cost. Then by reducing the amount of state budget support provided public universities, the state budget would be reduced as would, hopefully, the tax burden. However, most advocates of the free market approach would have it coupled with a scholarship program paid directly to qualified students.¹³ This type of free market approach does not have many supporters among public educators. However, the passage of Proposition 13 in California in 1978 could well cause one to wonder whether such an approach might not come to pass one day.

Another possible solution to the plight of private higher education suggests that the United States adopt the Japanese system of rigid controls on the number of students entering public institutions.¹² But the philosophical trend in this country toward looking on a college education as a right of every citizen would require again some kind of a scholarship program paid directly to the student.

Perhaps the free market approach or the Japanese approach would avoid constitutional problems involved in attempting to preserve the dual system of higher education. But there are problems associated with public money other than constitutional ones, especially if the institution values its independence. And most colleges and universities do value their independence, but its preservation is not always easy. Early in our country's history the churches gained their independence by foregoing state financial support. The colleges and universities want to keep their independence while retaining and even increasing their state financial support. This is more difficult.³ Someone once said, "He who pays the piper calls the tune."

Public colleges and universities are already experiencing a loss of autonomy in the minds of many. They feel that higher education is

moving from an institutional experience to a bureaucratic service, to be regulated by the state.⁷ Clark Kerr has been quoted as saying, "the state-supported university is rapidly becoming a regulated public utility."¹⁴

The loss of independence should also be a concern of private colleges and universities. The Carnegie Commission on Higher Education said:

If private institutions have enhanced American higher education largely because of their relatively greater freedom to experiment, to offer diversity, to control their size, and in general to resist pressures toward homogeneity, will their freedom to continue making contributions of this nature be possible if any significant proportion of their funding comes from public sources? If the control that accompanies public support destroys the freedom which now permits private institutions to make their unique contributions, then the special importance of preserving private higher education may be diminished.¹⁵

The diversity of the United States' system of higher education results from the different types of institutions, both public and private, with their differing purposes or missions. In the public sector there are substantial differences among the state universities, the state colleges, and the community colleges. In the private sector there are substantial differences among the residential liberal arts colleges, the urban institutions with large commuting populations, the church related colleges, the large research universities, and the special purpose institutions for music, art, or science.⁴ The loss of autonomy would result in less distinct purposes which would mean less diversity. For example, a Christian college that is not free to discriminate to the point of hiring only Christian faculty members cannot be distinctively Christian. Hence the dilemma. How does an institution, especially a private institution, accept public money, and at the same time, retain its distinctiveness? Perhaps a precedent was set recently in the dispute

between the medical schools and the federal government over Congress' requirement that the schools either accept third-year American transfer students from foreign institutions without regard to academic qualifications or forfeit capitation grants. Six state-supported schools joined eight private universities in refusing to accept the funds under the conditions imposed.⁴ Hannibal-LaGrange, a small Baptist college in Missouri, chose not to change its hiring practices in order that its students might continue to be eligible to receive the Missouri Grant.

Many believe, as does this writer, that the answer for the private sector is a clear statement of purpose and a strong sense of mission effectively communicated to its constituency. In fact, there is evidence that institutions who have done this are more healthy, financially, than those that have not.⁹ This is especially true for church-related colleges. Earl J. McGrath has said:

It is my conviction that to the extent that the church-related college stands firm on its dedication to its religious commitment, it will remain financially sound. More importantly, it will restore order to a society now laboring under a confusion of purposes.⁸

Allan W. Ostar said it well:

To the degree that private colleges accept state money, they may be made accountable to the state. The independence of the private colleges is so valuable to the entire higher education system that it would be unconscionable if it were to be exchanged for some easy money without a weighing of the consequences.¹¹

BIBLIOGRAPHY

1. Breneman, David W. and Chester E. Finn, Jr. Public Policy and Private Higher Education, The Brookings Institute, 1978.
2. Enarson, Harold, The Chronicle of Higher Education, June, 1973.
3. . . . Governance of Higher Education; The Carnegie Commission on Higher Education, (McGraw-Hill), April, 1973.
4. Hanson, Walter E., A Call to College and University Trustees, Peat, Marwich, Mitchell & Co., March, 1978.
5. Lupton, Andrew H. and John Augenblick and Joseph Heyison; "The Financial State of Higher Education," Change: The Magazine of Higher Learning, (September, 1976).
6. Magarrell, Jack, "Financial Woes Worsen at Some Private Colleges," The Chronicle of Higher Education, July 31, 1978.
7. Mathews, David, "Voluntary Action in Higher Education," Trends and Issues in Cooperation, (American Association for Higher Education) Fall, 1973.
8. McGrath, Earl J., "Financing the Church-Related Institution," The Southern Baptist Educator; (September-October, 1976).
9. . . . More Than Survival; The Carnegie Foundation for the Advancement of Teaching, (Jossey-Bass Publishers), 1975.
10. Newman, Frank, "Federal Aid for Private Schools?" College Management, May, 1973.
11. Ostar, Allan W., "Why Pricing Won't Work for Education," College and University Business, June, 1974.
12. Phelps, M. Overton, "Commentary Public or Private," College and University, Spring, 1978.
13. . . . "Problems of Private Universities," Intellect, (February, 1974).
14. Reinert, Paul C., S. J., "Federal Aid for Private Schools?" College Management, May, 1973.
15. . . . The Capital and the Campus, State Responsibility for Postsecondary Education, the Carnegie Commission on Higher Education, McGraw-Hill, 1971.
16. Wise, W. Max, The Politics of the Private College: An Inquiry Into the Processes of Collegiate Government; (The Hazen Foundation, New Haven, CN, 1973.)